

Message Text

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ACTION EUR-12

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FM AMEMBASSY PARIS
TO AMEMBASSY TOKYO
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C O N F I D E N T I A L PARIS 10375

USOECD

E.O. 11652: GDS
TAGS: OECD, ECON, JA
SUBJECT: EPC/WP-2 COUNTRY NOTE ON JAPAN

REF: A) PARIS 10036 B) TOKYO 4827

1. MISSION REGRETS THAT EMBASSY TOKYO UNDERSTOOD OUR PHRASEOLOGY IN REF A TO BE A HUMOROUS COMMENT ON JAPANESE POLICY. IT WAS RATHER A COMMENT, IN ALL SERIOUSNESS, THAT JAPANESE POLICY SEEMED, AT LEAST AS PRESENTED AT THE MEETING IN QUESTION, TO FLY IN THE FACE OF POLICY LINE USG AND OECD HAVE BEEN ENCOURAGING FOR JAPAN. EMBASSY TOKYO'S POINT THAT GOVERNMENT CAN MOBILIZE EXCESS PRIVATE SECTOR SAVINGS IS WELL TAKEN AND, IF DONE IN WAY TO HASTEN ADJUSTMENT AWAY FROM EXPORT-LED GROWTH TOWARD STRONGER DOMESTIC MARKET, IS EXACTLY THE LINE OF REASONING OECD HAS BEEN TAKING WITH JAPANESE--AS HAVE VARIOUS VISITING U.S. DELEGATIONS BOTH IN OPEN AND BILATERAL MEETINGS.

2. IF WE DID NOT MISUNDERSTAND, WHICH IS ALWAYS A
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POSSIBILITY GIVEN LANGUAGE PROBLEM PERENNIALY FACED BY JAPANESE AT OECD MEETINGS, JAPANESE DELEGATE TO WP-2 DID NOT PROPOSE OPTION OF HIGHER GOVERNMENT EXPENDITURE (E.G. EXPANDED WELFARE PROGRAMS) AS A WAY TO MOBILIZE SAVINGS. INSTEAD, HE CONCENTRATED ON THE "EXCESSIVE DEPENDENCE" OF THE GOVERNMENT ON BORROWED FUNDS, AND IN THIS CONTEXT STATED THAT TAXES SHOULD BE

RAISED TO IMPROVE THE FINANCING OF THE GOVERNMENT
SECTOR. FOR EXAMPLE, HE SAID A VAT WOULD PROBABLY BE
IMPOSED BEFORE 1985--WHEREAS OECD SECRETARIAT INDICATED
IT HAD HEARD SOME DISCUSSION OF POSTPONING IT ON THE
GROUNDS THAT HIGHER TAXES WOULD HURT CONSUMPTION DEMAND.
RATHER THAN MOBILIZING SAVINGS THROUGH GOVERNMENT
BORROWING ON FINANCIAL MARKETS, JAPANESE DELEGATE TO
WP-2 SEEMED TO BE PROPOSING DE-FACTO MORE RESTRICTIVE
FISCAL POLICY.
SALZMAN

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